

Testimony of
Adolfo A. Franco
Assistant Administrator,
Bureau for Latin America and the Caribbean
United States Agency for International Development
Before
Committee on International Relations
U.S. House of Representatives
Subcommittee on the Western Hemisphere
Wednesday, October 19, 2005

“POLICY OVERVIEW OF THE CARIBBEAN”

Mr. Chairman, Members of the Subcommittee, it is both an honor and a privilege to have the opportunity to appear before the Subcommittee on the Western Hemisphere of the House International Relations Committee. I was last here in September, when I discussed the state of democracy in the Western Hemisphere and shared with you a number of chronic and emerging challenges that threaten to unravel decades of developmental gains in Latin America. Today, I welcome the opportunity to discuss our development assistance policy in the Caribbean, and how USAID’s Bureau for Latin America and the Caribbean is helping to address the particular challenges faced in that region.

The Caribbean Region consists of 23 relatively small independent islands, dependent territories, and sovereign states. Their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability make the Caribbean a special case for development.

The Caribbean-United States relationship is built on a strong and deep foundation that is centuries old and reflects the flow of peoples and cultures that have enriched our own country. The strong economic, cultural, and geographic ties between the United States and the countries of the Caribbean make their political and economic stability of vital interest to the United States. In the Caribbean as it is for Latin America, USAID strategic priorities seek to: advance democracy, increase economic prosperity and security, advance human rights, improve health conditions, and address other social and environmental issues. These priorities reflect USAID’s strategic goal of assisting these countries progress from developing countries to countries able to achieve economic and social progress without foreign assistance. In addition, USAID continues to provide significant assistance for disaster mitigation and preparedness in the wake of several tropical storms and hurricanes that have affected the region.

Democracy

Support for democratic governance continues to be the highest priority in the Caribbean. The trends in the Caribbean over the past two decades clearly indicate a deepening of democratic values as democracy becomes the expectation of citizens and, in a globalizing world, the expectation of the marketplace. Civilian, rather than military, governments are now in place in

all countries of the region, except Cuba. However, the progress that democratic governments have made is potentially undermined by weak public institutions, crime, and corruption.

Caribbean countries are now facing the increasing threat of internationally integrated organized crime with its associated corrupting influence on government. These operations are financed with massive resources from organized crime, money laundering, alien smuggling, illegal drugs, and other illicit, inter-linked enterprises. Rising crime, gang violence, and lack of personal security in many Caribbean countries create not only instability and exact a horrible human toll on the lives of the least privileged, but also drastically reduce business productivity and discourage private investment flows. In much of the region, business associations rank crime as the number one issue negatively affecting trade and investment.

These trends make it imperative that the region's development agenda continues to focus on strengthening democracy and the rule of law to ensure against back-pedaling from solid democratic gains. Strengthening democracy is a prerequisite for assuring that the benefits of increased trade and investment will be shared among all sectors of society in the Caribbean.

Because of weak central governments throughout the region, USAID's experience suggests that strong local governments are particularly effective at curbing corruption and improving standards of living. Citizens who receive improved services from local governments have a much more positive view on democracy as a whole. Further, in places like Haiti, local governments may be the only way to achieve more effective governance to mitigate instability. USAID is helping civil society organizations (non-profits, business organizations, churches, civic associations, and others) in the region play a significant role in monitoring government actions, advocating policy change, and in providing quality services to the communities in which they work.

To address corruption and crime, USAID has trained judges, prosecutors, litigators, law professors, and community activists to ensure success of the transition to modern judicial systems. USAID continues to expand the number of public defenders and the number of poor people receiving free legal defense. These efforts have improved the lives of ordinary citizens in the region by increasing access to justice. Moreover, a more effective judicial system enhances each country's ability to combat organized crime,

narcotics trafficking, money laundering, human trafficking, and alien smuggling, thus making these countries less susceptible to infiltration by terrorists.

In combination with programs to improve the justice system, USAID has played a lead role in furthering anti-corruption/transparency initiatives, including working with other donors and governments in the Dominican Republic and Jamaica to create oversight mechanisms, national plans and other methods to combat corruption. USAID has worked with national governments, municipalities, and regional associations of municipalities to promote good governance practices based on transparency, accountability, and citizen participation. Importantly, USAID has worked with civil society organizations to increase the capacity of citizen organizations to hold elected officials accountable and lobby for improvements.

While transparency and crime and corruption activities are important to strengthening democracy, USAID's greatest efforts to promote and maintain democracy in the region are through the support of elections. USAID has worked successfully with Guyana, Jamaica and the Dominican Republic, to develop modern electoral systems capable of conducting free and fair elections. USAID shares the success of the Dominican people in conducting a free and fair presidential election. USAID was the only donor working on elections throughout the year. During the campaign, there was low voter confidence in the Central Election Board and concern that the incumbent administration might try to rig the vote counting. USAID worked with the lead local NGO in the electoral arena to increase voter confidence in the electoral process, improved the competitiveness of elections through candidate debates on key governance issues, and decreased potential for fraud through close monitoring and reporting throughout the entire electoral period.

In Haiti, USAID is working in close coordination with other donors to assist the Haitian Provisional Electoral Commission in carrying out elections. In addition to contributing funding to support the efforts of the Organization of American States and U.N. Development Program (UNDP) in registration and electoral oversight, USAID assistance includes technical support to the Council, voter education, journalist training, political party strengthening and support, public relations, and international election observers.

Next year, the elections challenge will be in Guyana, where deep political schisms are aligned along ethnic lines threatens that further deteriorate public confidence in the two main political parties and erode democracy. USAID is continuing to fund technical assistance and training for the Guyana Elections Commission, while also supporting a national level dialogue aimed at reducing ethnic tensions in politics.

Cuba presents a unique exception to the trend of democracy in the region. USAID supports the U.S. policy goal of promoting a rapid, peaceful transition to democracy in Cuba. USAID, through grants to U.S. universities and non-governmental organizations, helps build civil society in Cuba to promote democracy by increasing the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba. As a participant in the Presidential Commission for Assistance to a Free Cuba, USAID also helps plan for assistance to a future transition government in Cuba.

Economic Prosperity and Security

After decades of reliance on traditional markets and on trade preferences, the countries of the Caribbean are facing a much more challenging and competitive reality. In many cases, investors find that laws and regulations lack clarity and fairness and contracts are not always enforced. Crime and lack of security are serious concerns of the private sector and among many investors, who, moreover, complain about government inefficiency in delivering social services.

USAID is assisting countries throughout the Caribbean as they seek to adapt to changing demands and compete successfully in global markets, thereby increasing economic opportunities for their citizens. We are doing this on several fronts. We are working to improve the investment climate and reduce constraints to business by assisting Caribbean governments to enact legal, policy, and regulatory reforms that promote trade liberalization, hemispheric market integration, competitiveness, and investment. Concurrently, our assistance programs to promote government efficiency in the delivery of social services are also supporting efforts to improve the investment climate in the Caribbean by promoting a healthier and better educated workforce. We are fostering a vigorous private sector role by identifying and resolving constraints to business, strengthening capacity of

the private sector to influence public policy, and improving the response of firms to regional and global market demands.

USAID is working with both the public and private sectors to diversify and produce goods and services that are competitive internationally. Adapting to a loss of European trade preferences for key crops such as bananas and sugar in light of limited economic diversification presents a challenge to many Caribbean nations. USAID is helping to position these countries to benefit from a global trading system by addressing longer-term challenges such as rural economic diversification and small and medium enterprise development and competitiveness. USAID is assisting small farmers in the region through the identification of particular crops which are economically viable for sale locally or internationally and the introduction of advanced but inexpensive farming techniques which greatly improve productivity and crop quality. In Haiti, USAID is assisting small-holder farm families in food insecure areas to improve agricultural techniques, animal husbandry, and storage practices as well as micro-credit, seed banks, and improved access to markets. In rural Jamaica, USAID assistance is strengthening the linkages between effective natural resources management and sustainable economic growth through the introduction and testing of new crop varieties, as well as new production technologies for soil irrigation and conservation. Two important elements of the program in Jamaica are the development of appropriate production, processing and marketing linkages, and the introduction of standards that meet international certification requirements.

We are also working closely with the business organizations in the region to identify and encourage growth in those sectors of the economy that show the most promise for long term international competitiveness. By providing technical assistance for these high potential items to improve their production, finance, and marketing operations and enabling them to establish international links for their products and services, we can enable them to greatly increase their competitiveness in the world arena of free trade.

USAID was instrumental in providing technical assistance and public outreach in the Dominican Republic during negotiations for the U.S. – Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Additionally, working directly with the nations of the Caribbean community as well as their regional bodies USAID continues to help Caribbean countries comply with the rules of trade, such as customs and rules of origin,

sanitary and phyto-sanitary measures (animal and plant health and food safety), and the protection of intellectual property rights.

USAID is working with CARICOM, the lead organization promoting economic and political integration in the sub-region, to help bring the Caribbean Single Market Economy (CSME) into operational reality and to become more competitive actors in regional and global markets, with a focus on the six countries of the Organization of Eastern Caribbean States. USAID activities are working to help build public awareness and support for the CSME, facilitate the completion of legal and taxation frameworks, and modernize critical commercial laws that are most relevant to fostering trade and enhancing competitiveness.

USAID is continuing to implement innovative approaches to widen and deepen the credit opportunities afforded to small businesses in the region. Through USAID partnerships with local finance institutions in the region hundreds of small business owners now have access to credit where before lack of adequate financing was hindering their growth – and their ability to generate increased employment. At the same time, USAID is also supporting cutting edge efforts to increase the developmental impact of remittances in furthering economic growth and prosperity in the Caribbean.

An innovative activity that straddles the Dominican Republic-Haitian border is providing economic opportunities while helping to reduce cross-border tensions. They focus attention away from illegal activities, such as trafficking in persons and illicit drugs, by providing viable, economic growth and quality-of-life opportunities to these vulnerable border populations. Additionally, they are helping to prevent the spread of communicable diseases, such as TB and HIV/AIDS, through education, prevention, and treatment services for border populations.

Human Rights

Violations of human rights have greatly diminished, and governments are taking actions to promote peace and reconciliation. In large part, due to sustained USAID assistance to the Inter-American Institute for Human Rights, national human rights ombudsmen are now the norm across the region. The one exception to this is the country of Cuba.

The Castro regime continues to abuse fundamental human rights of Cuban citizens by restricting free assembly, repressing freedom of speech, freedom of religion, private property, and other basic rights. Cubans who call for dialogue or peaceful democratic change are subject to arrest and imprisonment on charges of “disrespect” or “dangerousness.” The regime tries to censor or restrict outside information from reaching the Cuban population.

Through the provision of informational materials, USAID grantees help build solidarity with Cuba’s human rights activists, give voice to Cuba’s independent journalists, defend the rights of Cuban workers, develop independent Cuban non-governmental organizations, and provide direct outreach to the Cuban people.

Health

The HIV/AIDS pandemic is the largest health threat to the Caribbean. Outside sub-Saharan Africa, the Caribbean region has the highest HIV/AIDS prevalence rate in the world. By the end of 2004, the number of AIDS cases in the region was estimated to be at least 440,000, including the 53,000 people who acquired the virus in 2004. Approximately 1,000 HIV positive infants are born each year in the region. Both HIV prevalence and AIDS cases are underreported in the region, possibly by as much as 30 to 75 percent. HIV prevalence – considered more indicative of the extent and nature of the problem than the number of AIDS cases – is estimated at 2.3 percent in the region, but varies widely among countries. In five countries (the Bahamas, Belize, Guyana, Haiti and Trinidad and Tobago), national prevalence exceeds 2%. Haiti is considered the Caribbean country most impacted by HIV/AIDS. Throughout the region, heterosexual sexual activity is reported to be the predominant means of transmission. Sadly, it is estimated that only 5 to 10 percent of those who need care and treatment for HIV in this region are currently receiving it.

Caribbean women have the highest prevalence of HIV in the Americas. As the epidemics in this region evolve, more women are being affected, and the number of new HIV infections among them now outstrips that among men. Latest estimates suggest that roughly as many women as men are now living with HIV in this region. In the Dominican Republic, women younger than 24 years old are almost twice as likely to be HIV-infected as their male peers. In Jamaica, teenage girls are 2.5 times more likely than boys in the

same age group to be infected, due partly to the fact that some girls have sexual relationships with older men, who are more likely to be HIV-infected, a trend that has also been documented in several other countries. For both men and women in the Caribbean, AIDS is the leading cause of death for those between the ages of 15 and 45.

The HIV epidemic in the Caribbean poses a threat to the economic growth of the region. The HIV/AIDS epidemic has already cost the Caribbean 6% of its potential earnings through lost workers, increased medical expenses, and reduced savings. Several Caribbean countries with economies that are dependent on tourism are among those most heavily affected by the epidemic. If the epidemic continues to grow, conservative estimates predict that more than half of all deaths in the under 5 populations will be due to AIDS by 2010. Life expectancy at birth in 2010 is projected to be 10 years less in Haiti and in Trinidad and Tobago nine years less than it would have been without AIDS.

There are a variety of challenges to addressing HIV/AIDS in the Caribbean including: high population mobility; a significant lack of health care personnel with specialty training in HIV/AIDS; weak regional and country surveillance and monitoring and evaluation systems to accurately track the epidemic and effectively target resources; women's general lack of empowerment, and a high degree of stigma and discrimination associated with HIV/AIDS.

The high degree of mobility of persons in the Caribbean – both within the region and beyond it – is one of the most significant challenges in the battle against HIV/AIDS. It is an important risk factor that increases vulnerability and spreads HIV/AIDS. HIV and migration have a strong reciprocal relationship as the factors pushing people to immigrate (poverty, violence, political instability, etc.) are also strongly linked with the risk of HIV/AIDS. In addition, migrant workers have increased vulnerability due to their working and living conditions, limited access to information and health services, and isolation from family and support networks. Various types of migration have the potential to create “hot spots” for HIV transmission, e.g., single industry settings that attract low wage workers such as the mining industry in Guyana, sugar cane in the Dominican Republic, construction in the Turks and Caicos, and tourism in a number of sites. Risk groups are created among people who have migrated for clandestine activities such as sex work. A large proportion of commercial sex workers around the

Caribbean are migrants from other islands. The segment of the population that is most at risk for HIV – youth and young adults – is the same segment that is the most mobile. Mobile populations can also serve as a “bridge” between areas of high and low prevalence. As an example of the HIV/AIDS risk brought by migration, people from the Caribbean account for 46 percent of all immigrants testing HIV/AIDS positive in New York City.

USAID plays a lead role in coordinating the HIV/AIDS integrated activities of several U.S. government agencies in the region, including the Centers for Disease Control, the Peace Corps, the Department of Labor and the Department of Defense. Haiti and Guyana are two of the fifteen focus countries worldwide included in the President’s Emergency Plan for AIDS Relief (PEPFAR), a five-year US\$15 billion initiative to turn the tide in combating the global HIV/AIDS pandemic. Bi-lateral programs exist in the Dominican Republic and Jamaica, as well. The other countries of the Caribbean work through the Barbados-based Caribbean Regional Program which focuses entirely on HIV/AIDS prevention in nine countries: Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Working with private- and public-sector partners, the USAID conducts activities designed to help local nongovernmental organizations and national and regional organizations mount a coordinated, multi-sectoral response to the epidemic. Over the past few years, the USAID has helped increase nongovernmental and community organizations’ capacity to deliver HIV/AIDS prevention and care programs, and improved governments’ capacity to implement an effective response. USAID also works with recent initiatives of the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria, which have brought crucial resources to the region’s fight against HIV/AIDS, and is leveraging its funding for maximum results.

Other USAID programs in the health sector improve access to and quality of health services by both private and public sector care providers. USAID assistance has directly contributed to important advances in detection and cure rates for tuberculosis, significantly raised vaccination coverage rates, and helped reduce or eliminate major childhood illnesses such as measles in the Caribbean. USAID assistance also works to increase the efficiency and equity of basic health care services at the local level and improve the environment for health policy reform. While progress is being made to lower maternal mortality and apply proven, cost-effective protocols for

combating malaria and other infectious diseases, rates remain unacceptably high.

Education

USAID education and training programs are developing innovative and effective service delivery models, many of which are being expanded by host governments and multilateral development banks. USAID programs support: improved testing and student assessment; development of school level report cards; management information systems to help Ministries of Education make targeted investments in low-performing schools; and greater parental and community involvement in education. USAID assistance will continue to provide training of additional teachers and administrators through the Caribbean Center for Excellence in Teacher Training, a presidential initiative to improve the quality of reading instruction in the 1st through 3rd grades in six countries of the region: Belize, Grenada, Jamaica, St. Lucia, St. Vincent, and Trinidad and Tobago. USAID also supports advancements in workforce training and higher education to help young adults and youth prepare to enter the workforce.

Environment

The Caribbean region's natural beauty is a fundamental asset that underpins tourism as a critical sector for the Caribbean economies. USAID's environment programs protect the region's natural resource base, as well as its biodiversity, and provide support for resource-friendly agribusiness and ecotourism programs.

In Jamaica, USAID assistance supports biodiversity conservation in the Caribbean through improved sustainable management of land and marine parks and protected areas. Additionally, USAID provides technical assistance in the mainstreaming of "best practices" to watershed and coastal zone communities with a focus on overcoming constraints such as poor production and marketing practices. At the policy level, USAID assistance is supporting the development of a legal and regulatory framework for land use and development planning in order to lessen potential negative environmental impact.

In the Dominican Republic, USAID provides support for the strengthening of public institutions responsible for the management and protection of the environment.

Recognizing that Haiti's extreme environmental degradation and erosion-prone hill slopes continue to undermine prospects for long-term agricultural development and sustainable economic growth and increase the country's vulnerability to natural disasters, USAID assistance will support the development of activities that focus on sustainable land, water, and soil use, and build the capacity of communities to manage their own resources. USAID is developing a comprehensive strategy, built on careful technical and policy assessments and broad-based and participatory consultation, which will allow USAID to target its activities in ways that complement the programs of other donors and NGOs, respond to GOH priorities, mitigate Haiti's vulnerability to natural disaster, and have the potential for national-scale impact.

Disaster Mitigation and Preparedness

USAID is assisting Caribbean countries with their efforts to recover from the destruction caused by an onslaught of hurricanes and tropical storms. USAID responded to Hurricane Ivan and Tropical Storm Jeanne in 2004 with an Office of Foreign Disaster Assistance (OFDA) emergency relief response; a Phase I immediate recovery program; and a \$100 million Phase II expanded recovery program for Jamaica, Grenada, and Haiti. To date, a number of achievements have been reached.

USAID-supported efforts have revitalized and rehabilitated communities with repaired homes, roads, and health clinics and restored water and sanitation systems, restoring vital shelter and access to services in damaged areas. To restore livelihoods affected by the hurricane and tropical storm, USAID provided farmers and crafts persons with technical expertise, loans, and grants to revitalize and rehabilitate businesses. USAID has rehabilitated and re-supplied schools and teachers' colleges, and provides support to the Government of Grenada's Agency for Reconstruction and Development.

USAID also supports disaster preparedness and mitigation programs aimed at reducing the loss of human life and lessening the economic impact caused by disasters in the region. These programs may include risk identification, prioritization, and reduction, as well as post-disaster recovery and short-term

rehabilitation projects. Promoting local and national self-reliance in disaster preparedness and management is a key concept, and USAID/OFDA's programs build upon and strengthen the capacity of established national and regional disaster management institutions, many of which have the ability to meet most emergency needs after an event. In the Caribbean, USAID/OFDA has provided \$1.6 million to the Caribbean Development Bank (CDB) to establish a disaster mitigation facility in the region. The six-year program supports activities that promote sustainable development through reduced risk and losses from natural hazards in the English-speaking countries of the Caribbean. In addition, USAID assistance is working to fully incorporate natural hazard considerations into new development projects financed by the CDB. USAID/OFDA is also supporting UNDP's efforts to reduce natural hazard risks faced by vulnerable populations in Haiti by working with the country's Civil Protection Department to strengthen local and national response, preparation, and training capacities and to develop disaster prevention and mitigation projects. USAID is supporting private voluntary organization efforts in local communities in Haiti affected by devastating floods to develop and disseminate messages on disaster mitigation, personal hygiene, and safe water practices in schools, streets, and public market places. USAID recently launched rehabilitation activities in Jamaica in the fisheries and craft sector with a series of training workshops for business owners to address disaster mitigation measures and overall business improvement.

It is important to note, outside our regional partnerships, USAID's interagency collaboration with National Oceanic and Atmospheric Administration (NOAA) helps to improve our disaster response as well as our mitigation efforts in the region. NOAA works with OFDA and our foreign partners to provide state-of-the-art hurricane warnings and updates, additionally with OFDA support NOAA has worked to improve the capacity of regional and national early warning and forecasting entities. For instance, with OFDA support NOAA's National Weather Service is helping to organize the International Workshop on Flash Flood Forecasting in Costa Rica.

Risk reduction in the region is a main component of USAID's Caribbean Regional Hurricane Program, which seeks to demonstrate appropriate risk reduction approaches for the region through pilot projects and to mobilize policy makers and government leadership around the issue of disaster risk reduction as it relates to economic growth. Country-based activities and the

lessons learned from the larger post-hurricane recovery activities in Grenada and Jamaica will be used to demonstrate the importance of risk reduction as an economic development issue to policy makers at various forums in the region. While activities and pilot projects focus on the most vulnerable smaller islands of the Eastern Caribbean and the initial political link will be with the Organization of Eastern Caribbean States (OECS), the entire region will be engaged as much as possible. In December 2005 at a regional OECS Conference supported by USAID, heads of state from CARICOM countries will discuss disaster recovery, prevention, and mitigation lessons learned. This exercise will seek to identify priority policy actions for implementation at the national and regional level in order to strengthen the region's disaster preparedness capacity.

Conclusion

Mr. Chairman, Members of the Committee, as I have indicated, democracy, human rights, and social and environmental issues face chronic and emerging challenges in the Caribbean. Due to the particularities of their geographic location, the size of their respective economy, and the forces of globalization, the countries of the Caribbean do face severe challenges in their efforts towards economic prosperity and security. Yet, the security needs of the U.S. have made facing these challenges an urgent necessity for all of us. USAID will continue to work on addressing its strategic priorities and promote U.S. policy in the region, and USAID is prepared to work as part of a broad U.S. response to strengthen our allies and, by extension, protect the United States.

Mr. Chairman, this concludes my statement. I welcome any questions that you and other Members of the Subcommittee may have. Thank you.